BC Transit

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2001 2002 Annual Report

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Her Honour

The Honourable Iona Campagnolo
Lieutenant-Governor of the
Province of British Columbia

MAY IT PLEASE
YOUR HONOUR.

I respectfully submit the
Annual Report of BC Transit
for the fiscal year ended
March 31, 2002.

Judith Reid
Minister of Transportation and
Minister responsible for BC Transit

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ORGANIZATION OVERVIEW

MANDATE

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside of Greater Vancouver. Its mandate includes planning, funding, constructing, marketing and operating transit systems - either directly or indirectly - in partnership with local government throughout the province.

PUBLIC TRANSPORTATION VISION

The BC Transit Act and the BC Transit Corporate Service Plan provide the policy framework for public transportation in the province. In developing transit service plans in each community, the benefits of public transit are clearly recognized: providing essential mobility and a travel choice for all residents; reducing the costs of traffic congestion; contributing to improved air quality and associated health benefits; and allowing for more compact urban development and deferral of the construction of expensive new roadways.

BC Transit functions as a provincial/local government/private partnership. In 90 percent of existing service areas private companies or non-profit societies provide transit under contract. Services are competitively bid. Three types of service are provided:

conventional transit – mid-sized or large bus, fixed route, fixed schedule service;

custom transit – for those who cannot use conventional transit because of a disability, handyDART door-to-door service, contracted taxi supplement and Taxi Saver program; and

paratransit – small bus service for both conventional and custom transit passengers in less densely populated towns and rural areas.

BC Transit's Scope

- Access to transit services for 1.6 million people
- 36 million rides taken in 2001/02
- Annual operating budget of $116.2 million
- Fleet of 700 buses and vans

GOVERNANCE

A seven-member Board of Directors, appointed by the province, governs BC Transit, with the chair of the Board reporting to a provincial cabinet minister. The BC Transit Act requires that four of the Board members be municipally elected representatives.

Service plans and budgets are approved in open sessions by municipal councils, regional district boards, or, in the Victoria region, a commission of elected mayors and councillors. They also set fares, routes, and service levels, and raise the local share of transit costs. The BC Transit Board approves the operating and capital budgets, as well as the operating company selection and annual operating agreements, and designates transit service areas.

MISSION STATEMENT

To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities we serve.

VALUES

BC Transit is guided by the following values:

- Strong and transparent local decision-making
- Partnerships and cooperation
- Focus on safety
- Market-based service design
- Sound financial and contract management practices
- Environmental stewardship.

Message from Chair

BC TRANSIT BOARD OF DIRECTORS

Gregory Slocombe, chair (from January 2002)

George Chen, chair (to January 2002)

Walter Gray, Mayor, City of Kelowna

Colin Kinsley, Mayor, City of Prince George

Heather Archer

Cheryl Tellier

Ray Rice, Mayor, District of Esquimalt (to September 2001)

Judy Brownoff, Councillor, District of Saanich (to September 2001)

The year ending March 2002 was one of challenge and achievement for BC Transit. After a number of years of increased funding and expansion, the need for governments at all levels to address issues of affordability and cost control, as well as other economic factors, resulted in a capping of service expansion and the deferral of several new system proposals. Starting mid-year, staff moved quickly to seek ways to reduce expenditures, while still maintaining the existing service base in every transit service area in British Columbia. The Board of Directors worked to assess the best approach to control expenditures and deal with the difficult issue of deferral of service expansion and reduction or re-scheduling of capital expansion and fleet replacement.

The very effective partnership between the province and local government ensured that the necessary decisions on service and expenditure were made in a timely and equitable manner.

The Board also had the job of overseeing the development and presentation of the BC Transit submission to the government's Core Services Review process. The exercise required a careful assessment of all program and service delivery activities against the core legislative mandate of BC Transit. Recommendations were made to government on actions to effectively meet the government's strategic priorities and support local governments priorities in the areas of community development, mobility and effective use of existing transportation infrastructure. Work was continuing at year-end on this initiative.

For the future, there is an ever-increasing demand for public transit and the challenge of funding existing and expanded transit services. The Board of Directors of BC Transit will be undertaking a review of the funding and service strategy of the corporation to meet this challenge. We will do this in consultation with local government through the coming year.

I look forward to working with my colleagues on the Board and with our staff to achieve the challenging targets set for funding, service quality and program delivery in the coming year.

Gregory Slocombe, **Chair**

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Message from President and CEO

EXECUTIVE MANAGEMENT

Bob Irwin, president and CEO

Ron Drolet, vice-president, planning and marketing and corporate secretary

Susanne Fossey, vice-president, human resources

Ron Harmer, vice-president, fleet and facilities (from September 2001)

John King, vice-president, operations and maintenance

Dale Lapointe, vice-president, fleet and facilities (to June 2001)

Steve New, vice-president, municipal systems program

Tony Sharp, vice-president, finance and administration and chief financial officer

The 2001/02 fiscal year provided many challenges to the staff at BC Transit.

The year began with a work stoppage in Victoria that lasted 14 days. As soon as a new agreement was reached between the corporation and the union representing operators and maintenance workers, all staff groups worked diligently to re-establish service and recover the customer loyalty and support that is so necessary for any transit system's success. Within two months, ridership had returned to pre-strike levels, and modest growth in total passenger volumes and performance continued over the balance of the year. This achievement was particularly satisfying at a time when global events and regional economic trends had the potential to affect travel demand in the fall and early winter months.

In the Municipal Systems Program, service expansions were implemented in some municipal transit systems early in the year. By fall staff were working closely with several local government partners to implement a number of service, marketing and fleet changes to contain costs while still seeking to improve service quality in the coming fiscal year. Ridership growth continued in almost all service areas. A lengthy work stoppage in Prince George during the late summer and fall period had a significant effect on ridership with passenger volume returning to pre-strike levels by year end.

As new local and provincial financial guidelines were established mid-year, the executive team was required to quickly assess expenditure levels and administrative requirements. Cost reduction and efficiency measures involved simplifying and reducing the cost of the management and administrative structure, while limiting the amount of service reduction on-street. Unfortunately, some of the requests for new or expanded services that had been moving toward implementation had to be cancelled.

In a year that included some major challenges, staff at BC Transit performed admirably. A number of difficult internal changes were completed in a fair and professional manner, with no loss of service quality or program support for our partners.

R.H. Irwin, **President and Chief Executive Officer**

THE YEAR IN REVIEW

TECHNOLOGY

Automatic Passenger Counters

Victoria completed installation of automatic passenger counters on its bus fleet. A total of 25 buses, representing all bus types, have been equipped with on-board computers, infra-red counting beams, and GPS units. The equipment tracks boarding, wheelchair ramp deployment, and vehicle running and rest times. The data is used for ridership and schedule analysis and to identify traffic congestion points that should be considered for transit priority.

Electronic FareCards in Victoria

BC Transit has implemented a magnetic (read only) swipe card technology that augments the electronic fareboxes in Victoria. A number of swipe fare card products were introduced in January and February, including employee, ProPass, and monthly passes. The technology enables transit staff to cancel lost or stolen cards as well as track usage of products. In the coming year, the technology will extend to 20,000 holders of student U-Passes at the University of Victoria and Camosun College as well as BC Bus Pass users.

Scheduling Package in Victoria

BC Transit Victoria began its installation of a new advanced scheduling and run-cutting package. HASTUS, one of the world's leading schedule packages, assists in developing efficient schedules, vehicle assignments and driver work shifts. The new software replaced an older DOS-based system that was not as flexible and was becoming difficult to support.

Web Site

As part of the plan to include every BC community served by transit on the BC Transit web site, sites were created for Prince George, Terrace Regional, Kelowna Regional, and Penticton/Okanagan-Similkameen. Additional systems, including Cowichan Valley, Whistler, Nanaimo Regional and Kitimat were being installed by year-end and other municipalities are expected to be online later in the new fiscal year.

As part of an ongoing employment enhancement initiative, BC Transit implemented an employee intranet web site to provide access to company policies, benefits information and collective agreements.

CREST in Victoria

BC Transit is one of the participants in the newly-created Capital Region Emergency Services Telecommunications (CREST) network. The network is a non-profit corporation, formed to design and construct a communications network between participating agencies, with emphasis on emergency communications. In BC Transit's case, the CREST network will replace existing infrastructure supporting BC Transit's radio communications network and will be employed for ongoing and emergency communications. By participating in CREST, BC Transit will avoid the $1.6 million capital cost to self fund replacement and upgrades to communications network infrastructure.

FACILITIES AND FLEET

Fleet Upgrades

In 2001/2002, a total of 21 new 35-foot Dart buses went into service in a number of communities, replacing some of the 20 to 25 year-old buses. Ten new handyD.ART buses also went into service, four for service expansion, and six replacing vehicles. Negotiations for 17 more 35-foot Darts and 19 of the 40-foot Trident double deckers were successfully completed. These

double-deck buses will be available for service in the summer of 2002 with 16 going to Victoria and three to Kelowna Region.

Fuel Contract

BC Transit's negotiated fixed-price fuel futures contract with PetroCanada was secured at US$22.60 a barrel, significantly below subsequent world prices. It is estimated that the contract resulted in 2001/02 savings of $1.8M based on current prices throughout the year.

Facilities: Victoria

Victoria's Gorge Road maintenance garage received a $3 million seismic upgrade this year. The work included the demolition of the old maintenance bays and the construction of the replacement bays, and was completed on budget, in February. The project provided much needed improvements to the maintenance areas as well as consolidating the inventory supporting the maintenance operation.

Victoria Security

After the events of September 11, 2001, security measures were increased for BC Transit's two maintenance and dispatch facilities in Victoria. Staff have received training in security awareness and appropriate response procedures.

Transportation Demand Management

Vanpool and Ride Sharing Program

The first Vanpool Agreement was developed with the Jack Bell Foundation for delivery of services on Vancouver Island and in the Pemberton/Whistler/Squamish corridor. The agreement provides for continuation of 32 existing vanpools and the expansion of vanpooling in these two areas. With the exception of a small administration fee, vanpooling is entirely self-funded through monthly user fees.

off ramp Program

The *off ramp* program trains and supports secondary student leaders in developing ideas and activities to encourage their peers to travel to school by walking, cycling, skateboarding, in-line skating, transit or carpooling.

The program continued this year with funding from BC Transit and Transport Canada's Moving on Sustainable Transportation (MOST) program, with delivery by Be..t Environmentally Sound Transportation (B.E.S.T.) In September 2001, the program expanded to include schools in Kelowna and Whistler, with municipal TDM staff as *off ramp* coordinators.

Urban Transportation Showcase Program

BC Transit partnered with the City of Victoria to develop a submission for Transport Canada's Urban Transportation Showcase Program. This five-year proposal is designed to develop and market Transportation Demand Management strategies and travel options, demonstrate new technology and best practices in transit delivery, demonstrate double decker express service with bus priority measures, and evaluate the impact of a high school U-PASS program. BC Transit also provided assistance to the preparation of submissions from Kelowna, Kamloops and Nanaimo. Transport Canada is expected to make the final selection of funded proposals by the end of next fiscal year.

VIP Program

In January 2002, the Canadian transit industry launched its $2.4 million, two-year campaign designed to increase awareness and build support for public transit in Canada. BC Transit, together with municipal area transit systems, embarked on the campaign with special emphasis on Victoria, Nanaimo, Kelowna, Kamloops, Central Fraser Valley and Whistler.

The Canadian campaign, called VIP, (Visibility, Image and Positioning), is based on extensive research showing that communities with public transit services offer opportunities to people from every walk of life by providing them with access, mobility and freedom to accomplish what is important to them. A similar campaign has been launched in the US by the American Public Transportation Association.

Workforce Development and Labour Relations

Employee Recognition

In 2001, a BC Transit Employee Recognition Program was developed and implemented to recognize and reward employee excellence and outstanding achievement in support of BC Transit strategic goals. The program includes recognition in five individual categories and an Employee of the Year award that includes an invitation to attend the annual Canadian Urban Transit Association conference.

Rehabilitation Program

A Return to Work/Rehabilitation Program was introduced to facilitate the safe and early return to work of employees recovering from a disability. The program provides a structure and clearly defines the process to be followed by employees. Developed with union involvement, the program has had positive results.

Municipal Systems Program Conference 2001

The Municipal Systems Program Conference 2001, held in Kelowna, offered an opportunity for local government representatives, transit managers and BC Transit board members and staff to learn what is new in technology, regional planning, business refinements, and customer retention. At the same time, a maintenance training program was held for municipal systems program mechanics to familiarize them with the new Dart buses.

Workforce Issues Study

BC Transit is participating in a North American study on workforce issues. Led by the American Public Transportation Association, the study will examine the workforce challenges facing the public transportation industry, research and communicate best practices and ideas, and develop a blueprint for making the public transit industry an employer of choice.

Transit System Development

Selection of Transit Management Companies

During 2001/02, Requests for Proposals and Requests for Expression of Interest were issued to select transit management companies for a number of transit systems. New companies were awarded the contract for the Vernon Regional custom and North Okanagan paratransit systems (KIA Transit Ltd.) and the Hazeltons' Paratransit System (Smithers Community Service.) All other contracts were awarded to incumbent operators.

The BC Transit Board of Directors' policy on the RFP process to select transit management companies was also changed.

Capital Regional District Transportation Strategy

As requested by the Capital Regional District, BC Transit is acting as project manager in developing a CRD Regional Transportation Strategy. The strategy, one of three contributing to the CRD's Regional Growth Strategy, will

identify the goals for sustainable transportation development over the next twenty years and the means by which to achieve these goals.

SERVICE EXPANSIONS

Transit systems in seven communities expanded in 2001/02. They were:

Conventional

Central Fraser Valley
Comox Valley
Kelowna Regional
Nanaimo Regional
Terrace Regional

Paratransit & Custom

Chilliwack Custom
Comox Valley Custom
Kelowna Regional Custom
Quesnel Paratransit
Terrace Regional

Municipal Systems Program Ridership

BC Transit Municipal Systems Program ridership has been increasing faster than the national average, according to data recently released by the Canadian Urban Transit Association. British Columbia figures show an increase of 7.3% between 1999 and 2000, with a further increase of 11.4% for the first half of 2001, compared to the same period a year earlier. By comparison, ridership across all provinces increased by 3.5 per cent between 1999 and 2000, with an increase of 4.7 per cent for the first six months of 2001 .

Per-capita ridership, or market penetration, in British Columbia's municipal systems has also risen, from 15.4 transit trips per capita in 1999, to 16.1 in 2000. "This figure is important," says Michael Roschlau, CUTA President and CEO, "as it indicates that the municipal systems are more than keeping pace with population growth."

From Canadian Urban Transit Association news release, November 27, 2001

TRANSIT SERVICE PLANS

VERNON REGION/NORTH OKANAGAN

A comprehensive transit service plan was completed for the Vernon conventional and custom transit and North Okanagan paratransit systems. The service plan addresses immediate needs for the three transit system areas and identifies additional service requirements for other areas within the North Okanagan.

The service plan has been approved in principle by the North Okanagan Regional District (for local municipalities within its paratransit jurisdiction) and the District of Coldstream (for the recommendations affecting their respective jurisdiction).

SQUAMISH-WHISTLER CORRIDOR STUDY

The Squamish-Whistler Corridor Study was completed in November 2001, focusing primarily on the demand for commuter trips from Squamish to Whistler. The study recommends a combination of increased vanpooling, introduction of limited peak period transit service (two trips in each direction), and user subsidies for the existing private intercity bus service. These options are similar to the successful existing service between Pemberton Valley and Whistler.

TRANSIT AWARENESS CAMPAIGNS

Anniversaries

Since 1981, public transit has become an essential transportation option for a number of British Columbia communities. In 2001/02, many of the province's conventional, paratransit and custom transit systems celebrated their tenth or twentieth anniversary with free or reduced-rate rides, and local ceremonies, to celebrate these milestones.

10 Year Anniversaries

Campbell River handyDART
Shuswap Regional Paratransit
Smithers Paratransit
Whistler Transit

20 Year Anniversaries

Campbell River Transit
Cranbrook handyDART
Dawson Creek Transit
Kamloops handyDART
Kimberley Paratransit
Prince George handyDART
Sunshine Coast Paratransit
Vernon handyDART
Williams Lake Paratransit

GradPass

The ***GradPass*** program, aimed at graduating grade twelve students, encourages young people to consider transportation options when planning a safe ride to and from celebration events. In 2001, Cranbrook and Prince George joined programs that were in place in Vancouver, Victoria, Kelowna and Powell River. Each grad receives a scratch 'n ride bus pass good for any two days during the month of June. The redemption rate in the municipal transit systems was 20 percent.

Ride 'n Shop

BC Transit and the City of Cranbrook partnered with the Cranbrook Chamber of Commerce to offer a three-day Ride 'n Shop event, a first for the community. Shopping incentives were offered by 22 Chamber businesses to riders wearing a Ride 'n Shop button.

Clean Air Day 2001

BC Transit, along with the provincial Ministry of Environment, Lands and Parks, Greater Vancouver Regional District, and the Go Green

network of partner agencies, joined together to celebrate British Columbia's tenth Clean Air Day. Activities included a bike-and-walk day, bike-to-school challenges, bike maintenance clinics, and free transit with CAD buttons. Participating transit systems included Victoria Regional, Kamloops, Kelowna Regional, Nanaimo Regional, Nelson and Prince George.

The national theme for the year's Clean Air Day was "Youth and Sustainable Transportation," promoting the use of urban transit among Canada's youth. BC Transit distributed exterior bus cards, shelter posters and media kits to communities throughout the province.

Customer Appreciation Campaign

The Valentine's Day "Love Your Bus" event continued to increase in popularity, with twenty-five municipal systems participating. Passengers received a chocolate heart from their bus driver. Some of the transit systems involved school children in decorating the hearts or developed other creative ways of celebrating and involving the community.

Pets on Transit Program

In June 2001, the Prince Rupert and Port Edward Transit Systems began a six-month pilot of transporting pets on transit. Transit travel applied only to small fur bearing and feathered pets in hand-held cages small enough to fit on the owner's lap, and passengers are asked not to transport pets during times when the transit system is likely to be crowded. With the pilot complete, the program is now permanently in place on the Prince Rupert and Port Edward Transit System as well as the Vernon Regional Transit System. The Victoria Regional Transit System approved a six-month trial to commence early in the new fiscal year. The program applies to conventional transit systems only, not to handyDART systems.

PARTNERSHIPS

Vancouver 2010 Olympic Bid and the Whistler Connection

The Whistler Local Transportation Workgroup is developing a Local Transportation Plan for the Vancouver 2010 Winter Olympic bid. This plan, combined with the Greater Vancouver and Sea to Sky Transportation Workgroup plans, will form the transportation component of the Vancouver 2010 "Bid Book" to be completed in 2002/03.

The Local Transportation Plan will outline all aspects of transportation within the Whistler venue sites, including athlete, media, VIP and commercial transportation, traffic management, and facilities. BC Transit's role includes: the development of a local transportation concept plan for spectators and volunteers, including detailed market flow analysis of spectator and volunteer movements; service analysis to determine frequency levels for each venue; vehicle requirements; and cost analysis of service. Future key roles will include input on infrastructure, transit terminals, maintenance facilities, operations planning, and environment friendly vehicle options.

PERFORMANCE REPORT

PERFORMANCE MEASURES

Consistent with standard transit industry reporting, BC Transit uses a basic set of measures to track the performance of transit services. The most important measures of efficiency and effectiveness are:

- ***Service or Revenue Hours*** represent the total number of scheduled hours that the transit fleet is in regular passenger service.
- ***Revenue Passengers*** represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)
- ***Revenue Passengers Per Service Hour*** is a primary measurement of the effectiveness of the service.
- ***Cost Recovery*** is a measure of financial performance expressed in terms of total revenue/total expenses.
- ***Operating Cost per Service Hour*** is an important efficiency measure.
- ***Cost per Revenue Passenger*** is a key unit cost/efficiency measure widely used and reported by transit agencies.

PERFORMANCE AND FINANCIAL SUMMARY

Expenditures for the year ended March 31, 2002 were $113.26 million. Operating costs made up $102.58 million (91%) of the total expenditures; debt servicing costs for assets in service made up the remaining $10.67 million. In addition, BC Transit provided a provincial grant of $1.53 million for one test fuel cell engine.

Operating revenue (primarily passenger fares) provided $39.35 million (35%) of the total funding. Direct Provincial Government contributions, net of fuel cell engine, were $44.84 million (40%) of the total funding. Municipal governments using available tax sources contributed $29.07 million (25%). Available tax sources include general property taxation, and in the Victoria region, a 2.5 cent/litre fuel tax.

	ACTUALS			TARGETS			
BC Transit	**1999/00**	**2000/01**	**2001/02**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
(Figures in thousands)							
Financial							
Operating Costs	94,105	99,203	**102,585**	104,474	103,793	104,168	104,026
Debt Servicing	8,349	8,998	**10,671**	11,679	12,414	13,357	13,755
Total Expenditures Public Transit	102,454	108,200	**113,256**	116,153	116,208	117,523	117,781
Provincial Initiatives: Fuel Cell			**1,525**	1,525	3,050		
Total Expenditures*	**102,454**	**108,200**	**114,781**	**117,678**	**119,258**	**117,523**	**117,781**
Performance							
Service Hours	1,524	1,559	**1,589**	1,626	1,586	1,564	1,545
Revenue Passengers	33,140	35,202	**35,790**	35,495	36,491	35,647	35,469
Revenue Passengers per Service Hour	21.7	22.6	**22.8**	21.8	23.0	22.8	23.0
Operating Cost per Service Hour	$61.75	$63.64	**$65.38**	$64.26	$65.43	$66.62	$67.34
Operating Cost per Revenue Passenger	$2.84	$2.82	**$2.87**	$2.94	$2.84	$2.92	$2.93

* Total expenditures exclude the provincial share of capital asset amortization.

VICTORIA REGIONAL TRANSIT SYSTEM

The Victoria Regional Transit System carried 18.63 million passengers on the conventional system, down by 3.4% from the previous year. Passenger growth was reduced due to the impact of the 14-day strike in April 2001.

Total service hours delivered decreased 4.0% over the previous year as a result of the strike and service rationalization.

A total of 254,000 handyDART passengers were carried, with a further 77,000 rides by taxi, for a total of 331,000 custom passengers, an increase of 12.2% over the preceding year.

Passenger and advertising revenues were $21.85 million or $8,000 above 2000/01. Expenditures were $53.69 million or 2.7% above the previous year. Ridership in the second half of the year was consistently at or above the prior year's level. Included in these expenditures were one-time reorganization and collective agreement settlement costs of $1.24 million.

	ACTUALS			TARGETS			
VICTORIA-Conventional	**1999/00**	**2000/01**	**2001/02 ***	**2001/02**	**2002/03**	**2003/04**	**2004/05**
(Figures in thousands)							
Financial							
Operating Costs	42,014	43,415	43,387	44,913	43,430	44,245	43,984
Debt Servicing	4,295	4,558	5,618	6,071	6,483	7,438	7,765
Total	46,309	47,973	49,005	50,984	49,913	51,683	51,749
Performance							
Service Hours	598	603	568	612	570	565	559
Revenue Passengers	18,358	19,283	18,630	19,233	19,024	18,645	18,450
Revenue Passengers per Service Hour	30.7	32.0	32.8	31.4	33.4	33.0	33.0
Operating Cost per Service Hour	$70.25	$71.97	$76.32 *	$73.35	$76.19	$78.31	$78.67
Operating Cost per Revenue Passenger	$2.29	$2.25	$2.33 *	$2.34	$2.28	$2.37	$2.38

** 14 day strike*
Normalized Operating cost/hour - $74.85
Normalized Operating cost/passenger - $2.28

	ACTUALS			TARGETS			
VICTORIA-Custom	**1999/00**	**2000/01**	**2001/02**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
(Figures in thousands)							
Financial							
Operating Costs	3,677	4,147	4,478	4,736	4,931	5,072	5,203
Debt Servicing	136	147	207	283	244	302	283
Total	3,813	4,294	4,685	5,019	5,175	5,374	5,486
Performance							
Service Hours	85	94	100	100	101	102	103
Revenue Passengers	260	295	331	368	350	403	411
Revenue Passengers per Service Hour	3.1	3.1	3.3	3.7	3.5	4.0	4.0
Operating Cost per Service Hour	$43.25	$44.29	$44.61	$47.59	$48.82	$49.73	$50.51
Operating Cost per Revenue Passenger	$14.13	$14.06	$13.52	$12.86	$14.07	$12.57	$12.67

MUNICIPAL SYSTEMS PROGRAM

Municipal Systems carried 15.57 million revenue passengers on the conventional transit program, an increase of 7.4% from the previous year. This was achieved with an increase of 4.0% in service hours. Service and program average performance was impacted by a 15-week strike in Prince George.

A total of 1.26 million custom passengers were carried with 1.08 million handyDART passengers, and a further 180,000 rides by taxi.

Passenger and advertising revenues were $17.50 million, 10% above 2000/01. Expenditures were $59.57 million, 6.5% above the previous year.

	ACTUALS			TARGETS			
MUNICIPAL SYSTEMS-Conv.	**1999/00**	**2000/01**	**2001/02 ***	**2001/02**	**2002/03**	**2003/04**	**2004/05**
(Figures in thousands)							
Operating Costs	38,377	40,810	43,070	42,918	43,542	42,946	42,834
Debt Servicing	3,420	3,804	4,217	4,624	4,958	4,883	4,961
Total	41,797	44,614	47,287	47,542	48,500	47,829	47,795
Performance							
Service Hours	625	639	664	673	676	656	642
Revenue Passengers	13,509	14,492	15,567	14,694	15,817	15,349	15,350
Revenue Passengers per Service Hour	21.6	22.7	23.4	21.8	23.4	23.4	23.9
Operating Cost per Service Hour	$61.38	$63.91	$64.87	$63.75	$64.44	$65.45	$66.70
Operating Cost per Revenue Passenger	$2.84	$2.82	$2.77	$2.92	$2.75	$2.80	$2.79

** 15-week strike in Prince George*

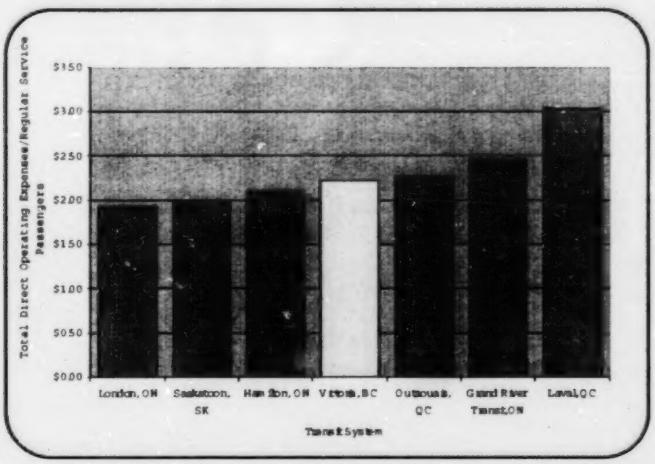
	ACTUALS			TARGETS			
MUNICIPAL SYSTEMS-Custom	**1999/00**	**2000/01**	**2001/02**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
(Figures in thousands)							
Financial							
Operating Costs	10,038	10,832	11,649	11,907	11,890	11,903	12,005
Debt Servicing	497	487	630	701	730	734	746
Total	10,535	11,319	12,279	12,608	12,620	12,637	12,751
Performance							
Service Hours	216	223	236	241	240	240	240
Revenue Passengers	1,012	1,132	1,282	1,200	1,300	1,249	1,258
Revenue Passengers per Service Hour	4.7	5.1	5.3	5.0	5.4	5.2	5.2
Operating Cost per Service Hour	$46.57	$48.51	$49.29	$49.46	$49.63	$49.50	$49.92
Operating Cost per Revenue Passenger	$9.92	$9.57	$9.23	$9.92	$9.15	$9.53	$9.54

Performance Compared to other Canadian Transit Systems

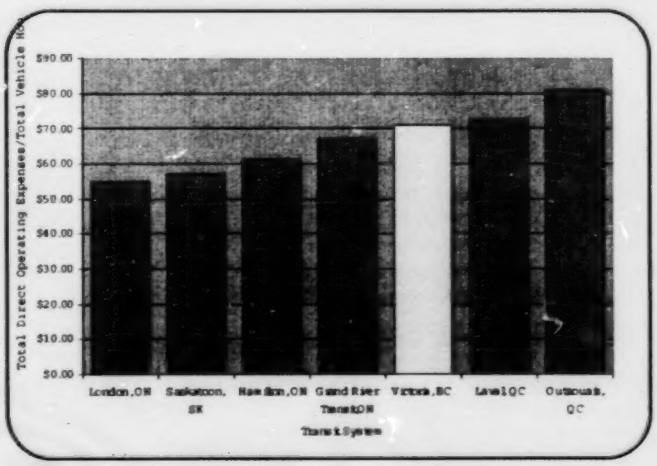
A recent review of the performance of the Victoria Regional Transit System provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association. The results are for the year 2000. The other systems selected are those deemed to be most comparable based on system size, community profile and ridership.

The Victoria system was generally in the mid-range on the basis of standard measures of efficiency and effectiveness. These results were viewed positively as this system has higher wage and benefit costs. In addition, most of the comparable systems are line departments within a municipality, with some corporate services such as payroll, human resources and legal services not separately reported for the transit operation. When normalized to reduce the effect of the wage differential, the Victoria System's relative performance placement improved further.

Cost Effectiveness
(Cost per paying Passenger)



Cost Efficiency
(Cost per hour of vehicle operation)



Strategic Performance Plan

Following is an overview of corporate performance against the objectives set out in the BC Transit Service Plan 2001/04.

Corporate Strategies 2001/02 - 2003/04

2001/02 Objectives	Results 2001/02
Service plan development	
Production of CRD Regional Transportation Strategy	In progress
A new multi-year Service Development & Funding Plan for the Victoria Region	Short term plan only
Major expansion in Municipal Systems Program	Completed, but reduced due to implementation of cost reduction measures
Facilities and fleet	
Delivery of 17 Dart mid-size buses and 18 double-deck buses	New 35-foot Dart buses are in service and 19 double-deck buses will go into service in the summer of 2002
A new facility in Whistler, a major upgrade in Victoria, and an assessment of a replacement facility in Kamloops	The Victoria seismic upgrade is complete. Whistler has secured an operating lease with local businesses. assessment of the Kamloops facility was completed.
Workforce development	
Preparation of a new Workforce Development Plan following results from the APTA Workforce Development Initiatives Task Force	In progress
Custom/paratransit "train the trainer" in Municipal Systems Program – Spring 2001	Completed
Annual Municipal Systems Program Management Seminar – October 2001	Completed
Labour relations	
No loss of service through labour disruption	14-day work stoppage in Victoria
Implementation of new collective agreements	Completed
Governance	
Discussions ongoing in CRD and Central Okanagan	In progress
Transportation demand and transportation supply management	
Transit Demand Management (TDM) partnerships to be developed with post secondary institutions in Kamloops, Kelowna Region and Prince George	Off ramp program launched in Kelowna Region and Whistler.
Joint work with CRD and other municipalities on development of regional TDM program	In progress in CRD and Kelowna Region
Vanpooling Program administration finalized to set long term structure for province-wide development	Completed
Cycling and Public Transit Program implemented	Bike rack availability introduced or expanded in several systems. Bike lockers included as a standard feature of new transit exchanges in Victoria Region.
New technology implementation	
Initiation of fuel cell engine testing program with XCELLSIS	Testing and evaluation in progress
Implementation of new magnetic tariff (farebox) systems.	On Victoria Regional system, automatic passenger counters installed and swipe card technology introduced. Installation of HASTUS, a scheduling and run-cutting package, has begun.
Updated financial and human resources systems.	Creation of a web-enabled information-sharing and E-billing tool has begun for all systems.
Website developed in Municipal Systems Program and expanded in Victoria with local information for all communities.	Web site transit information sections created for four communities

PERFORMANCE TARGETS FOR 2002/03

Corporate Performance Strategies and associated targets for the next fiscal year.

2002/03 – 2004/05 Corporate Strategies	Specific Objectives for 2002/03
Funding and Service Strategy	• Board of Directors of BC Transit initiative. • Phase 1 - settle funding and service arrangements for the 2003/04 budget development process. • Phase 2 - consider a broader range of funding, decision-making and partnership options for 2004/05 and beyond. • consideration will be given to the unique characteristics of a region, such as the Victoria Region, Tier 1 communities in the Municipal Systems Program, etc.
Service development	• Production of a CRD Regional Transportation Strategy • A new multi-year Service Development and Funding Plan for the Victoria Region • Expansion requests in Municipal Systems Program – funding strategy options for growth communities • Work with Vancouver 2010 Olympic Bid Committee to supply plan for local transportation in Whistler element of the bid submission
Facilities and fleet	• Delivery of 19 new double-deck buses, 17 Dart mid-size coaches and 22 custom vehicles for 2002/03 •A new facility in Whistler, expansion of facilities in Kamloops, Trail and a wash bay facility in Kelowna Region
Workforce development	• Conduct a workforce review to plan succession needs, particularly in the administrative and technical specializations
Labour Relations	• Annual Municipal Systems Program Management Seminar • No loss of service through labour disruption • Implementation of any change provisions in existing collective agreements
Transportation demand and transportation supply management	• Transit Demand Management (TDM) partnerships to be developed with post secondary institutions in Kamloops, Kelowna and Prince George • Joint work with CRD and other municipalities on development of regional TDM programs including transit, cycling, and vanpooling • Vanpooling Program administration finalized to set long term structure for province wide program
New technology implementation	• Continued implementation of the enterprise-wide data management system • Reduction of communications infrastructure costs through participation in the Capital Region Emergency Telecommunications network • E-billing web-enabled software in support Municipal System operations

GOALS AND OBJECTIVES TO 2004/05

The following strategic goals continue to shape BC Transit's service and corporate business activities:

Leadership: Provide leadership in developing effective public transportation systems that respond to market and community needs.

Service Innovations: Increase transit use through innovative and improved services.

Efficient and Effective *Use of Resources:* Make efficient use of resources to maximize customer service and minimize subsidy levels.

Community / Partnership Participation: Encourage the participation and cooperation of citizens, business, labour and local government in providing excellence in public transportation.

Safety: Ensure customer safety and security throughout all BC Transit's systems.

Social and Environmental Responsibility: Be recognized as a socially and environmentally responsible crown agency.

Positive Labour Relations: Continuing dialogue with unions concerning productivity issues, and foster open communication with union representatives.

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operations and changes in financial condition:

The number of passengers carried on public transit throughout British Columbia again grew over the previous year. Public transit experienced a 14-day strike in the Victoria Regional Transit System, and a 15-week strike in the Prince George Transit System. The strongest areas of growth are in the various regional centres outside of the Capital Region.

Service hours provided increased only slightly over the previous year, in part due to the two strikes, and cost constraint. Passengers per hour increased to its highest level in the comparative period.

Total expenditures were below target as a result of the work stoppage in Victoria and Prince George, as well as a reduction in service hours. Operating cost per hour increased as a result of averaging fixed costs over reduced service hours resulting from the work stoppages and service adjustments in addition to one-time collective agreement and reorganization costs in Victoria.

Debt servicing expenditures increases over the comparative years are a result of approximately 20 years of inflation on replacement vehicles compared to the vehicles being replaced and new vehicles coming into service. Declining debt service, beginning in 1999/00, is a result of the province providing a grant for its share of capital acquisitions, with the result that only the local share of the debt servicing is indicated.

External Business and Policy Environment

BC Transit functions as a provincial and municipal partnership — one that benefits from a strong component of local government decision-making. The private sector is also closely involved. In most service areas private operating companies or non-profit agencies provide transit under contract to BC Transit and the municipal authority.

Decision-making within BC Transit is publicly accountable. All service plans, fares, budgets and local taxation levels for transit are approved in open session of a municipal council, regional district board or Commission.

Except in five locations where the operator is a municipality or BC Transit, the operator of the service is a public-private partnership.

Major risks and opportunities:

BC Transit is exposed to materials price risk from currency exchange rates. Approximately 90% of fleet materials are sourced outside Canada.

The corporation practices a commodity risk management program and purchases fuel on a futures contract for delivery throughout the province. For 2002/03, the fiscal 'futures' contract price is $21.50 (US) per barrel. World market prices for fuel are unstable and there is some risk to this price in the 2003/04 fiscal year.

Over the next three to five years, BC Transit's strategic focus, within the framework of municipal partnerships, will be to enhance and broaden the development of public passenger transportation services in British Columbia in support of municipal and regional development

goals and priorities. Specific initiatives include the following key elements:

- expanding the use of alternative service delivery mechanisms to provide the greatest choice and efficiency in travel options and tools.
- formalizing BC Transit's activities in support of Transportation Demand Management, vanpooling and promotion of other travel options in partnerships with local governments.
- working with the local government partners to develop transportation plans, and identifying the resources requirements and means to effectively meet local requirements.
- competitive choices and private sector participation in service delivery will expand, thus ensuring economic objectives are met and local business participation is maximized.

Mobility, choice, customer satisfaction and efficiency will be guiding principles in the delivery of public transportation services under this partnership arrangement.

The funding and service strategy review being undertaken by the Board of Directors offers the potential to meet the ever-increasing demand for public transit in BC and resolve the current funding challenge.

VICTORIA-Conventional	2001/02 *	2000/01	1999/00	1998/99**	1997/98
(Figures in thousands)					
Financial					
Operating Costs	**43,387**	43,415	42,014	39,265	36,851
Debt Servicing	**5,618**	4,558	4,295	6,364	5,702
Total	**49,005**	47,973	46,309	45,629	42,553
Performance					
Service Hours	**568**	603	598	559	551
Revenue Passengers	**18,630**	19,283	18,358	17,080	17,674
Revenue Passengers per Service Hour	**32.8**	32.0	30.7	30.5	32.1
Operating Cost per Service Hour	**$76.32** *	$71.97	$70.25	$70.23	$66.91
Operating Cost per Revenue Passenger	**$2.33** *	$2.25	$2.29	$2.30	$2.09

** 14 day strike*
Normalized Operating cost/hour - $74.85
Normalized Operating cost/passenger - $2.28

*** 8 day strike March 1999*

VICTORIA-Custom	2001/02	2000/01	1999/00	1998/99	1997/98
(Figures in thousands)					
Financial					
Operating Costs	**4,478**	4,147	3,677	3,313	3,017
Debt Servicing	**207**	147	136	385	319
Total	**4,685**	4,294	3,813	3,698	3,336
Performance					
Service Hours	**100**	94	85	79	71
Revenue Passengers	**331**	295	260	253	241
Revenue Passengers per Service Hour	**3.3**	3.1	3.1	3.2	3.4
Operating Cost per Service Hour	**$44.61**	$44.29	$43.25	$41.93	$42.26
Operating Cost per Revenue Passenger	**$13.52**	$14.06	$14.13	$13.11	$12.54

MUNICIPAL SYSTEMS-Conventional	2001/02 *	2000/01	1999/00	1998/99	1997/98
(Figures in thousands)					
Operating Costs	**43,070**	40,810	38,377	36,212	34,283
Debt Servicing	**4,217**	3,804	3,420	5,821	4,983
Total	**47,287**	44,614	41,797	42,033	39,266
Performance					
Service Hours	**664**	639	625	604	571
Revenue Passengers	**15,567**	14,492	13,509	12,416	11,461
Revenue Passengers per Service Hour	**23.4**	22.7	21.6	20.6	20.1
Operating Cost per Service Hour	**$64.87**	$63.91	$61.38	$59.95	$60.03
Operating Cost per Revenue Passenger	**$2.77**	$2.82	$2.84	$2.92	$2.99

** 15-week strike in Prince George*

MUNICIPAL SYSTEMS-Custom	2001/02	2000/01	1999/00	1998/99	1997/98
(Figures in thousands)					
Financial					
Operating Costs	**11,649**	10,832	10,038	9,287	8,611
Debt Servicing	**630**	487	497	1,267	1,221
Total	**12,279**	11,319	10,535	10,554	9,832
Performance					
Service Hours	**236**	223	216	209	200
Revenue Passengers	**1,262**	1,132	1,012	944	887
Revenue Passengers per Service Hour	**5.3**	5.1	4.7	4.5	4.4
Operating Cost per Service Hour	**$49.33**	$48.51	$46.57	$44.48	$43.04
Operating Cost per Revenue Passenger	**$9.23**	$9.57	$9.92	$9.84	$9.71

Key Financial and Operating Results

These tables below show the historic trends in the financial and operating results for the Victoria Regional Transit System and the Municipal Systems Program.

BC Transit	2001/02	2000/01	1999/00	1998/99	1997/98
(Figures in thousands)					
Financial					
Operating Costs	**102,585**	99,203	94,105	88,077	82,762
Debt Servicing	**10,671**	8,998	8,349	13,837	12,225
Total Expenditures Public Transit	**113,256**	108,201	102,454	101,914	94,987
Provincial Initiatives: Fuel Cell	**1,525**				
Total Expenditures	**114,781**	**108,201**	**102,454**	**101,914**	**94,987**
Performance					
Service Hours	**1,569**	1,559	1,524	1,451	1,393
Revenue Passengers	**35,790**	35,202	33,140	30,693	30,263
Revenue Passengers per Service Hour	**22.8**	22.6	21.7	21.2	21.7
Operating Cost per Service Hour	**$65.38**	$63.64	$61.75	$60.70	$59.40
Operating Cost per Revenue Passenger	**$2.87**	$2.82	$2.84	$2.87	$2.73

Note: Total expenditures exclude the provincial share of capital asset amortization.

AUDITED FINANCIAL STATEMENTS OF BRITISH COLUMBIA TRANSIT YEAR ENDED MARCH 31, 2002

Report of Management

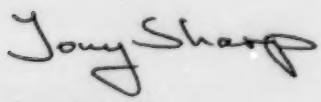
Year ended March 31, 2002

The financial statements of British Columbia Transit ("BC Transit") have been prepared by management in accordance with accounting principles which are appropriate for the company and generally accepted in Canada. A precise determination of many assets and liabilities is dependent upon future events and, consequently, the preparation of periodic financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the financial statements.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees. The Board of Directors meets regularly with management and the external auditors to satisfy itself that the company's systems of internal control is adequate.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

R.H. Irwin
President and Chief Executive Officer



Tony Sharp, CA
Vice President, Finance and Chief Financial Officer

Auditors' Report

To the Members of the Board of Directors of
British Columbia Transit

We have audited the balance sheet of British Columbia Transit as at March 31, 2002 and the statements of operations and accumulated surplus, contributed surplus, cash flows and changes in Victoria Regional Transit Fund for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

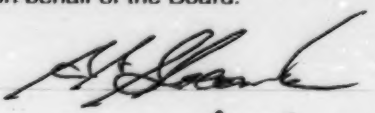
Victoria, Canada
May 24, 2002

Balance Sheet

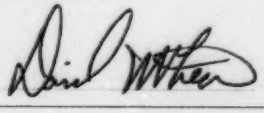
March 31, 2002, with comparative figures for 2001 ($000)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 5,488	$ 13,118
Accounts receivable:		
Municipalities	5,455	5,284
Trade and other	4,127	3,420
Parts inventory	3,860	3,107
Prepaid expenditures	938	841
	19,868	25,770
Debt sinking funds (note 4)	12,935	9,811
Deposits on capital projects (note 5)	8,631	6,410
Capital assets (note 5)	153,843	142,510
Capital assets under lease (note 6)	977,390	992,786
Investment in Transportation Property and Casualty Company Inc.	20	20
	$ 1,172,687	$ 1,177,307
Liabilities and Equity		
Current liabilities:		
Accounts payable to Province of British Columbia	$ 3	$ 75
Accounts payable and accrued liabilities	17,913	19,503
Notes payable (note 7)	11,987	17,623
Current portion of long-term debt	8,525	10,121
Current portion of obligations under capital leases	12	11
	38,440	47,333
Long-term debt (note 8)	71,121	56,199
Obligations under capital leases (note 9)	258	270
Deferred contributions (note 10)	5,056	3,321
Deferred capital contributions:		
Capital assets	67,720	63,735
Capital assets under lease	906,299	920,037
	1,088,894	1,090,895
Equity		
Contributed surplus	82,785	84,515
Accumulated surplus	1,008	1,897
	83,793	86,412
Commitments and contingent liability (note 11)		
	$ 1,172,687	$ 1,177,307

See accompanying notes to financial statements.
Approved on behalf of the Board:



Gregory Slocombe, Chair of BC Transit



David McLean, Director

Statement of Operations and Accumulated Surplus

Year ended March 31, 2002, with comparative figures for 2001 ($000)

	2002	2001
Revenue:		
Operations	$ 39,349	$ 37,310
Investments and other income	1,940	601
	41,289	37,911
Expenditures:		
Operations and maintenance	91,414	89,031
Administration	10,837	10,215
Interest on long-term debt	5,337	4,965
Other interest	23	215
Amortization of capital assets	7,337	5,866
Vehicle/property leases and taxes	1,528	1,343
Amortization of contributed assets	105	80
Test fuel cell engine	1,525	-
	118,106	111,715
Recoveries:		
Contributions from the Province of British Columbia	46,360	42,716
Contributions from municipalities (note 10)	27,338	27,134
Amortization of deferred capital contributions - capital assets	3,014	2,405
	76,712	72,255
Expenditures from transit operations	(105)	(1,549)
Other:		
Amortization of capital assets under lease	(13,738)	(10,144)
Amortization of deferred capital contributions:		
Capital assets under lease	13,738	10,144
Write-down of non-shareable asset costs	(889)	-
British Columbia Pension Corporation Superannuation refund	-	1,502
Loss on disposal of capital assets	-	(33)
	(889)	1,469
Expenditures for the year	(994)	(80)
Accumulated surplus, beginning of year	1,897	1,897
Transfer from contributed surplus	105	80
Accumulated surplus, end of year	$ 1,008	$ 1,897

See accompanying notes to financial statements.

Statement of Contributed Surplus

Year ended March 31, 2002, with comparative figures for 2001 ($000)

	2002	2001
Balance, beginning of year	$ 84,515	$ 84,595
Amount transferred to accumulated surplus to offset:		
Amortization charged on contributed assets	(53)	(80)
Operational costs - contributed inventory	(52)	-
	84,410	84,515
Reduction of contributed surplus for repayment of contributed land sales proceeds	(1,625)	-
Balance, end of year	$ 82,785	$ 84,515

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001 ($000)

	2002	2001
Cash provided by (used for):		
Operations:		
Net revenue (expenditures) for the year	$ (994)	$ (80)
Items not involving cash:		
Amortization of capital assets	7,337	5,946
Amortization of contributed capital assets	53	-
Amortization of capital assets under lease	13,738	10,144
Amortization of deferred capital contributions	(16,752)	(12,549)
Loss on disposal of capital assets	-	33
Net change in non-cash operating working capital	(3,391)	7,122
	(9)	10,616
Investing:		
Deposit on capital projects	(2,221)	3,933
Proceeds from sale of capital assets	1,698	41
Additions to capital assets	(18,763)	(27,018)
Additions to capital assets under lease	-	(475)
	(19,286)	(23,519)
Financing:		
Repayment to the Province of British Columbia of proceeds on disposal of contributed land	(1,625)	-
Increase in deferred contributions	1,735	-
Decrease in capital leases	(11)	(12)
Decrease in notes payable	(5,636)	(19,224)
Increase in long-term debt	13,327	14,360
Decrease (increase) in debt sinking funds	(3,124)	1,021
Increase in deferred capital contributions	6,999	11,300
	11,665	7,445
Decrease in cash	(7,630)	(5,458)
Cash and cash equivalents, beginning of year	13,118	18,576
Cash and cash equivalents, end of year	$ 5,488	$ 13,118

See accompanying notes to financial statements.

Statement of Changes in Victoria Regional Transit Fund
Year ended March 31, 2002, with comparative figures for 2001 ($000)

	2002	2001
Fund balance, beginning of year	$ 840	$ 1,903
Revenue:		
Fuel tax	7,476	7,311
Property tax	7,875	5,566
Interest earned	35	109
	15,386	12,986
	16,226	14,889
Contributions	(14,416)	(14,049)
Fund balance, end of year	$ 1,810	$ 840
Fund balance represented by:		
Cash and short-term investments	$ 1,810	$ 840

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2002 (tabular amounts in $000's)

1. **Purpose:**

   British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1998, to operate the urban transit systems in the Province of British Columbia outside of the Greater Vancouver Regional service area. In 2002, BC Transit recovered 47.95% (2001 - 46.00%) of its expenditures from the Province of British Columbia with the balance from transit operations and municipalities.

   BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in the funds are set out in the statement of changes in Victoria Regional Transit Fund.

2. **Summary of significant accounting policies:**

   The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles appropriate for BC Transit. The significant accounting policies are set out hereunder:

   (a) Parts inventory:

   Parts inventory is valued at the lower of cost, on a first-in first-out basis, and replacement cost.

   (b) Debt sinking funds:

   Debt sinking funds, consisting of pooled investment portfolios and Canada, provincial government and Crown corporation bonds, are recorded at the lower of amortized cost or market, with any premium or discount on purchase being amortized over the term to maturity of each investment.

   (c) Capital assets:

   (i) All capital assets, except those noted in (ii), (iii) and (iv), are recorded at cost, including capitalized interest as described in note 2(e).

   (ii) Capital assets transferred from the Province of British Columbia are record ed at their appraised value. These appraisals were carried out at various dates between June 30, 1979 and August 18, 1987.

   (iii) Capital assets acquired from BC Hydro are recorded at their appraised value. These appraisals were carried out at various dates between March 1, 1980 and April 1, 1982.

   (iv) Amortization is provided on the basis that results in a matching of these charges with BC Transit's statutory power to recover the cost of the related assets. Contributed assets are not subject to recovery and are amortized over their estimated useful lives. All assets are amortized by the sinking fund method over a period not exceeding their estimated remaining useful lives. Land is not subject to amortization. The assessment of net recover able amounts is determined by applying the applicable deferred capital contributions to capital costs.

2. Summary of significant accounting policies (continued):

(d) Investment in Transportation Property and Casualty Company Inc.:

BC Transit's 10% interest in Transportation Property and Casualty Company Inc. is reflected on the cost basis of accounting.

(e) Capitalization of interest:

Interest incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes is capitalized. No interest was capitalized during the year ended March 31, 2002 (2001 - $.17 million).

(f) Amortization of bond discounts:

Bond discounts are amortized on a straight-line basis over the term of the debt.

(g) Amortization of contributed surplus:

Contributed surplus (appraisal increase credits) is being amortized and reflected in net revenue at an amount equal to the amortization charged on those assets for which BC Transit does not have statutory power to obtain full recovery from operations.

(h) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by prepaid capital advances from the Province. These prepaid capital advances are recorded by BC Transit as deferred capital contributions and are recognized in the statement of operations and accumulated surplus on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

(i) Employee future benefits:

BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. The Pension Corporation of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The most recent actuarial valuation (March 31, 1999) has determined the Plan is in a surplus position. All employee future benefits funded through the Public Service Pension Plan are accounted for prospectively.

2. Summary of significant accounting policies (continued):

(j) Use of estimates:
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Significant areas requiring the use of management estimates include the determination of amortization and certain accrued liabilities. Actual results could differ from the estimates. Adjustments, if any, are reflected in operations in the period of settlement.

(k) Comparative figures:
Certain 2001 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

3. Cash and cash equivalents:
BC Transit considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and short-term investments.

(a) Major components of cash and short-term investments are as follows:

	2002	2001
Cash	$ 3,498	$ 5,421
Short-term investments	1,990	7,697
	$ 5,488	$ 13,118

(b) Supplemental cash flow information:

	2002	2001
Cash paid during the year for:		
Interest on long-term debt and notes payable	$ 5,135	$ 4,800
Cash received:		
Interest on investments	783	604

Notes to Financial Statements
Year ended March 31, 2002 (tabular amounts in $000's)

4. Debt sinking funds:

Investments held in the sinking funds, including interest earned, are used to repay the related debt at maturity.
Sinking funds and related investments are managed by the British Columbia Investment Management Corporation ("BCIMC"). Investment management fees totaling $12,154 (2001 - $9,297) were paid directly from individual portfolios to BCIMC.

5. Capital assets:

	Carrying value	Accumulated depreciation and amortization	2002 Net	2001 Net
Land	$ 6,088	$ -	$ 6,088	$ 6,087
Land improvements	1,782	745	1,037	353
Buildings	22,294	4,726	17,568	16,164
Revenue vehicles	162,512	42,342	120,170	109,023
Revenue vehicles under capital leases	294	23	271	283
Equipment	9,545	3,756	5,789	5,075
Capital projects in progress	2,920	-	2,920	5,525
	$ 205,435	$ 51,592	$ 153,843	$ 142,510

At March 31, 2002, a capital expenditure limit of $16.0 million was committed for capital projects and BC Transit received funding totaling $8.6 million for approved capital projects which is being held in pooled investment portfolios. These funds will be expended as payments come due during the 2002/2003 fiscal year.

6. Capital assets under lease:

These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the Greater Vancouver Transportation Authority ("GVTA") for their use under the Greater Vancouver Transportation Act and an Order in Council enacted thereunder, and represents one of the Province's contributions toward public transportation in the Greater Vancouver Regional District.

6. Capital assets under lease (continued):

The proposed lease arrangements with GVTA are for $1 per year under an initial fifteen-year term with additional five-year renewal periods upon the agreement of BC Transit and the GVTA. Cost information of these assets is as follows:

	Carrying value	Accumulated amortization	2002 Net	2001 Net
SkyTrain	$ 1,211,102	$ 351,647	$ 859,455	$ 872,327
West Coast Express	128,848	10,913	117,935	120,459
	$ 1,339,950	$ 362,560	$ 977,390	$ 992,786

7. Notes payable:

	2002	2001
Commercial paper with the Province of British Columbia, 1.82% (2001 - 4.74%) weighted average interest rate	$ 11,987	$ 17,623

8. Long-term debt - BC Transit:

	2002	2001
Sinking fund bonds, weighted average interest rate of 7.06% (2001 - 7.26%), maturing at various dates from 2000 to 2020, amortized from 4 to 20 years	$ 56,491	$ 43,187
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 5.51% (2001 - 5.97%), maturing at various dates from 2003 to 2010, amortized from 4 to 12 years	23,307	23,307
	79,798	66,494
Less unamortized bond discount	152	174
	79,646	66,320
Less current portion	8,525	10,121
	$ 71,121	$ 56,199

The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. BC Transit paid fees totaling $40,563 (2001 - $71,203) in the year for these fiscal agent services.

8. Long-term debt - BC Transit (continued):

Long-term debt payments in each of the next five years are as follows:

2003	$ 8,525
2004	3,432
2005	-
2006	2,745
2007	5,205

9. Obligations under capital leases:

BC Transit leases equipment under leases which are classified as capital leases. The future minimum annual lease payments are as follows:

2003	$ 34
2004	34
2004	34
2005	34
2006	34
Thereafter	268
	438
Less amount representing interest at 8.36%	168
Present value of capital lease obligations	270
Less current portion	12
	$ 258

Interest incurred during the year with respect to obligations under capital leases included in other interest expenditures amounted to $23,000 (2001 - $24,000).

10. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from municipal partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

	2002	2001
Contributions from municipalities - Victoria	$ 14,416	$ 14,049
Contributions from municipalities - other municipalities	14,657	14,135
	29,073	28,184
Contributions deferred	(1,735)	(1,050)
Contributions from municipalities	$ 27,338	$ 27,134

	Opening balance March 31, 2001	2002 contributions deferred	Closing balance March 31, 2002
Deferred contributions	$ 3,321	$ 1,735	$ 5,056

11. Commitments and contingent liability:

(a) Operating lease payments:

BC Transit is committed to make future minimum payments under operating leases for the next five years as follows:

2003	$ 1,742
2004	1,646
2005	1,207
2006	616
2007	435

These expenditures will be recovered from provincial and municipal sources pursuant to cost-sharing agreements.

BC Transit signed an offer to lease agreement on February 8, 2002 whereby its future minimum lease payments will increase by $195,000 annually upon the satisfactory completion of the facility by the landlord in accordance with that leasing agreement.

11. Commitments and contingent liability (continued):

(b) Contingent liability:

BC Transit is party to an agency agreement with Rapid Transit Project 2000 Ltd. ("RTP 2000") for purposes of the expropriation of land under the Expropriation Act. A number of previous owners of expropriated land have challenged the expropriated value. Any differences between the amounts paid and subsequently reassessed will be recorded by RTP 2000 in the period of assessment.

Management is of the opinion that the indemnity provisions of the agency agreement will wholly indemnify BC Transit for any costs incurred as a result of these claims and potential claims. No provision has been made in the financial statements related to this matter.

Transit Systems
Map of the Province

Conventional Transit Systems (25)
Campbell River
Central Fraser Valley
Chilliwack
Cowichan Valley
Cranbrook
Dawson Creek
Fort St John
Kamloops
Kelowna Regional
Kitimat
Kootenay Boundary
Nanaimo Regional
Nelson
Penticton
Port Alberni
Powell River
Prince George
Prince Rupert
Squamish
Sunshine Coast
Terrace Regional
Vernon Regional
Victoria Regional
Whistler

Paratransit Systems (32)
Agassiz-Harrison
Castlegar Regional
Clearwater & Area
Comox Valley
Cowichan Valley
Cranbrook
Creston Valley
Fort St. John
Hazeltons' Regional
Kaslo
Kimberley
Nakusp
Nelson & Area
Nelson-Slocan Valley
North Okanagan
Okanagan-Similkameen
100 Mile House & Area
Osoyoos
Pemberton Valley
Port Edward
Powell River
Princeton & Area
Quesnel & Area
Revelstoke
Shuswap Regional
Smithers & Area
Squamish
Summerland
Sunshine Coast
Terrace Regional
Williams Lake

Custom Transit Systems (14)
Alberni-Clayquot
Campbell River
Central Fraser Valley
Chilliwack
Kamloops
Kelowna Regional
Kitimat
Kootenay Boundary
Nanaimo Regional
Penticton
Prince George
Prince Rupert
Vernon Regional
Victoria Regional

Fleet Profile:	Diesel	Propane	Gasoline	CNG	
Victoria - conventional	208				208
Municipal Systems - conventional	303		2		305
Victoria - Custom	32	10			42
Municipal Systems - Custom Para	116	25	15	2	158
	Total: 659	35	17	2	713

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